

LFD ANALYSIS SPENDING REDUCTIONS PROPOSAL FISCAL 2003

Part 2 - Revenue Estimates

A Report Prepared for the
Revenue and Transportation Committee

By the
Legislative Fiscal Division

June 12, 2002

Legislative Fiscal Division



www.leg.state.us/fiscal/

Revenue and Transportation Committee

Representative Christine Kaufman
Representative Robert Story Jr.
Representative Jesse Laslovich
Representative Ron Erickson
Representative Ronald Devlin
Representative Roger Somerville

Senator Jon Ellingson
Senator Bob Depratu
Senator William Glaser
Senator Glen Roush
Senator Mike Taylor
Senator Vicki Cocchiarella

Staff Assignments

Legislative Fiscal Division

Terry Johnson	Roger Lloyd
Catherine Duncan	Jim Standaert
Mike Allen	

Legislative Fiscal Division



www.leg.state.mt.us/fiscal/

General Fund Revenue Estimates

Table of Contents

General Fund Revenue Estimates	1
Purpose of Report	1
House Joint Resolution 2	2
Revenue Impacts of Other Legislation	4
Projected General Fund Deficit	6
Reasons for Declining General Fund Balances	12
Factors that may affect Projected Deficits	15
Comparison Figures	16
* Corporation Income Tax	22
Driver's License Fees	24
Estate Tax	26
Foreign Capital Depository Tax	28
* Individual Income Tax	29
* Insurance Tax & License Fees	31
Motor Vehicle Fee	33
Public Contractors Tax	34
Railroad Car Tax	35
Telecommunications Excise Tax	36
Telephone License Tax	37
Coal Severance Tax	40
Electrical Energy Tax	41
Metalliferous Mines Tax	42
* Oil Production Tax	44
* Natural Gas Production Tax	45
* US Mineral Royalty	47
Wholesale Energy Tax	49
Coal Trust Interest	52
Common School Interest and Income	53
Treasury Cash Account Interest	55
Beer Tax	58
Cigarette Tax	60
Liquor Excise and License Tax	61
Liquor Profits	63
Lottery Profits	64
Tobacco Tax	65
Video Gambling Tax	66
Wine Tax	68
Property Tax 40 Mill	71
Property Tax 55 Mill	71
Property Tax 1.5 Mill	72
Non Levy Revenue	73
* Vehicle Tax	77
* All Other Revenue	82
Highway Patrol Fines	84
Nursing Facilities Fee	85
* Public Institution Reimbursements	86
Tobacco Settlement	88

* Significant Differences from the executive

GENERAL FUND REVENUE ESTIMATES

PURPOSE OF REPORT

17-7-140, MCA, provides a procedure to be implemented by the Governor in the event of a general fund budget deficit. In the event of a budget deficit, the Governor is required to reduce spending in an amount sufficient to bring the projected ending fund balance for the year to at least 1 percent of all general fund appropriations for the biennium. On April 18, 2002, the Governor's Budget Director initiated preliminary action to implement spending reductions by requiring agencies to submit proposals for reductions. On May 24, 2002 as required by statute, the Budget Director issued revised general fund revenue estimates and a list of budget reduction recommendations to both the Governor and the Legislative Fiscal Analyst. The executive is required to allow the Revenue and Transportation and Legislative Finance Committees 20 days to provide responses to the revenue estimates and the proposed reductions, respectively, before the Governor takes final action.

The purpose of this report is to provide the Revenue and Transportation Committee (RTC) a summary of the general fund revenue estimates as projected by the executive and by your Legislative Fiscal Division (LFD) staff and the differences. As discussed in this report, there are a number of dynamic economic conditions that may change the final outcome of revenue projections for the 2003 biennium. Of primary concern is the uncertainty of individual and corporation income taxes, which have shown a significant downward trend.

Legislative Role

The final assessment of the budget deficit projection and the required spending reductions is determined by the Governor, but statute requires specific communication with the Legislative Branch and an opportunity for legislative input prior to making the final directive. The Legislative Finance Committee (LFC) must be afforded the opportunity to comment on planned spending reductions and the RTC must be afforded the opportunity to comment on the revenue estimates used to determine the deficit. The statutory requirement for legislative interaction and input is summarized as follows:

- Agencies must submit their assessment of spending reductions to the Legislative Fiscal Analyst (LFA) at the same time they are submitted to the Office of Budget and Program Planning (this submission occurred on May 10).
- The Governor's Budget Director shall provide a copy of his recommendations to the LFA at the same time they are submitted to the Governor (this occurred on May 24).
- The LFC has 20 days from the time the planned reductions are submitted to the LFA to meet and make recommendations to the Governor (scheduled for June 13).
- The LFA must provide a copy of his review of the proposed spending reductions to the budget director at least 5 days before the LFC meeting (scheduled for delivery on June 7).
- The Governor's Budget Director must notify the RTC of the estimated amount of the general fund revenue shortfall below the revenue estimate established in the revenue estimating resolution for the affected biennium (this occurred May 24).
- The RTC has 20 days from notification of the revenue shortfall to provide the Budget Director with any recommendations concerning the revenue estimates (scheduled for June 14).
- The budget director must consider the recommendations of the RTC prior to certifying a projected general fund deficit.
- The Governor must consider the recommendations of the LFC prior to directing spending reductions.

It should be noted that any action taken by the RTC at the June meeting is in an advisory capacity only and does not change the revenue estimates as adopted by the Fifty-seventh Legislature.

Implementation

As discussed above, the actual certification of a budget shortfall and the implementation of spending reductions cannot occur until after the opportunity is afforded for legislative input from the prescribed interim committees. This means the reductions cannot occur until after June 14 when the committees have concluded their assessment. Since the spending reductions are for fiscal 2003, which begins on July 1, 2002, it is anticipated the certification and directive to reduce spending will be made prior to that date. The Governor's Budget Director has estimated that the action will be taken on about June 21, after allowing about one week to consider legislative recommendations and to determine the final assessment of the revenue shortfall.

HOUSE JOINT RESOLUTION 2

During November 2000, prior to the convening of the Fifty-seventh Legislature, the RTC formally adopted economic assumptions and the associated revenue estimates for fiscal 2001, 2002 and 2003. This process is in accordance with 5-18-107, MCA, which states that these estimates "constitute the legislature's current revenue estimates until amended or until final adoption of the estimates by both houses." The actions taken by the RTC were incorporated into HJR 2 and were introduced at the beginning of the Fifty-seventh Legislature. During the legislative process, the legislature adopted HJR 2 with some adjustments to the recommendations offered by the RTC.

Figure 1 shows the total general fund impact of the adopted adjustments by source of revenue. For the three-year period, fiscal 2001 through 2003, total general fund revenue estimates were increased by \$24.1 million from the recommendations of the RTC.

Figure 2 shows the amended total estimates by source of revenue as contained in HJR 2. Actual fiscal 2000 collections are shown, along with projections for fiscal 2001 through 2003.

Figure 1 Revenue Estimate Adjustments by 57th Legislature General Fund In Millions				
Source of Revenue	Estimated Fiscal 2001	Estimated Fiscal 2002	Estimated Fiscal 2003	Estimated 3-Year Total
Individual Income Tax	\$3.974	\$5.608	\$2.005	\$11.587
Corporation Income Tax	3.500	(0.750)	(0.750)	2.000
Telecommunications Excise Tax	4.690	1.522	1.421	7.633
Public Institutions Reimbursements	0.614	1.938	1.964	4.516
Wildfire Reimbursements	(2.322)	4.170	0.000	1.848
Public Contractor's Tax	(1.639)	(1.371)	(1.521)	(4.531)
U.S. Mineral Royalty	<u>6.038</u>	<u>(5.000)</u>	<u>0.000</u>	<u>1.038</u>
Total General Fund	<u>\$14.855</u>	<u>\$6.117</u>	<u>\$3.119</u>	<u>\$24.091</u>

Figure 2
House Joint Resolution 2
General Fund Revenue Estimates
In Millions

Source of Revenue	Percent of Total *	Adj. Actual Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 2002	Estimated Fiscal 2003	Estimated Fiscal 00-01	Estimated Fiscal 02-03	Cumulative % of Total
1 Individual Income Tax	44.37%	\$516.262	\$545.356	\$575.077	\$598.531	\$1,061.618	\$1,173.608	48.70%
2 Property Tax	16.69%	194.197	175.065	173.754	178.828	369.262	352.582	63.34%
3 Corporation Income Tax	7.79%	90.683	74.626	72.903	74.394	165.309	147.297	69.45%
4 Vehicle Tax	0.00%	0.000	0.000	0.000	0.000	0.000	0.000	69.45%
5 Common School Interest and Income	3.81%	44.296	47.924	42.621	43.600	92.220	86.221	73.03%
6 Insurance Tax & License Fees	3.38%	39.334	40.810	42.656	44.030	80.144	86.686	76.62%
7 Coal Trust Interest	3.37%	39.195	39.117	39.133	39.043	78.312	78.176	79.87%
8 US Mineral Royalty	1.65%	19.243	27.845	21.756	20.474	47.088	42.230	81.62%
9 All Other Revenue	1.76%	20.488	48.460	34.232	19.462	68.948	53.694	83.85%
10 Tobacco Settlement	2.99%	34.804	15.677	18.925	19.147	50.481	38.072	85.43%
11 Telecommunications Excise Tax	0.55%	6.366	21.523	18.756	19.113	27.889	37.869	87.00%
12 Video Gambling Tax	1.19%	13.851	13.828	13.796	15.107	27.679	28.903	88.20%
13 Treasury Cash Account Interest	1.38%	16.088	17.703	14.696	14.127	33.791	28.823	89.40%
14 Estate Tax	1.64%	19.039	19.691	17.118	10.097	38.730	27.215	90.52%
15 Oil & Natural Gas Production Tax	0.98%	11.363	14.188	12.407	11.985	25.551	24.392	91.54%
16 Motor Vehicle Fee	1.01%	11.716	12.954	11.772	12.004	24.670	23.776	92.52%
17 Public Institution Reimbursements	0.97%	11.345	11.755	12.521	12.932	23.100	25.453	93.58%
18 Coal Severance Tax	0.82%	9.502	8.918	9.073	9.058	18.420	18.131	94.33%
19 Liquor Excise & License Tax	0.62%	7.172	7.534	7.925	8.383	14.706	16.308	95.01%
20 Cigarette Tax	0.73%	8.464	8.222	8.057	7.889	16.686	15.946	95.67%
21 Investment License Fee	0.46%	5.390	6.081	6.580	7.119	11.471	13.699	96.24%
22 Lottery Profits	0.50%	5.841	6.197	6.281	6.372	12.038	12.653	96.76%
23 Liquor Profits	0.51%	5.900	5.659	5.977	6.267	11.559	12.244	97.27%
24 Nursing Facilities Fee	0.52%	6.055	5.533	5.547	5.575	11.588	11.122	97.73%
25 Foreign Capital Depository Tax	0.00%	0.000	0.000	0.000	0.000	0.000	0.000	97.73%
26 Electrical Energy Tax	0.41%	4.829	4.562	4.644	4.664	9.391	9.308	98.12%
27 Metalliferous Mines Tax	0.23%	2.703	4.063	4.706	4.553	6.766	9.259	98.50%
28 Highway Patrol Fines	0.35%	4.028	4.096	4.166	4.237	8.124	8.403	98.85%
29 Public Contractors Tax	0.19%	2.162	1.887	2.441	2.478	4.049	4.919	99.06%
30 Wholesale Energy Tax	0.16%	1.895	3.500	3.568	3.614	5.395	7.182	99.36%
31 Tobacco Tax	0.17%	2.017	2.137	2.265	2.400	4.154	4.665	99.55%
32 Driver's License Fee	0.20%	2.333	2.165	2.178	2.194	4.498	4.372	99.73%
33 Railroad Car Tax	0.18%	2.101	1.665	1.688	1.718	3.766	3.406	99.87%
34 Wine Tax	0.09%	1.017	1.059	1.107	1.156	2.076	2.263	99.97%
35 Beer Tax	0.03%	0.370	0.386	0.403	0.421	0.756	0.824	100.00%
36 Telephone License Tax	0.30%	3.491	0.000	0.000	0.000	3.491	0.000	100.00%
37 Long Range Bond Excess	0.01%	0.101	0.000	0.000	0.000	0.101	0.000	100.00%
Total General Fund	100.00%	<u>\$1,163.641</u>	<u>\$1,200.186</u>	<u>\$1,198.729</u>	<u>\$1,210.972</u>	<u>\$2,363.827</u>	<u>\$2,409.701</u>	100.00%
* For Fiscal 2000								

REVENUE IMPACTS OF OTHER LEGISLATION

Figure 3 shows the revenue impacts of legislation enacted by the Fifty-seventh Legislature. If more than one bill was enacted that impacts a given revenue source, the cumulative impact of the bills is shown for each revenue component.

Figure 3 Revenue Legislation Impacts of 57th Legislature Total General Fund In Millions					
Source of Revenue	Estimated Fiscal 2001	Estimated Fiscal 2002	Estimated Fiscal 2003	Estimated Fiscal 00-01	Estimated Fiscal 02-03
1 Individual Income Tax	\$0.000	(\$0.082)	(\$5.393)	\$0.000	(\$5.475)
2 Property Tax	0.000	(2.783)	(2.138)	0.000	(4.921)
3 Corporation Income Tax	8.523	8.640	8.460	8.523	17.100
4 Vehicle Tax	0.000	77.319	77.291	0.000	154.610
5 Common School Interest and Income	0.000	6.082	7.633	0.000	13.715
6 Insurance Tax & License Fees	0.000	0.010	0.020	0.000	0.030
7 Coal Trust Interest	0.000	(2.732)	(2.767)	0.000	(5.499)
8 US Mineral Royalty	0.000	0.000	0.000	0.000	0.000
9 All Other Revenue	0.000	(1.517)	3.172	0.000	1.655
10 Tobacco Settlement	0.000	0.000	0.000	0.000	0.000
11 Telecommunications Excise Tax	(1.904)	1.497	2.000	(1.904)	3.497
12 Video Gambling Tax	6.914	27.722	30.085	6.914	57.807
13 Treasury Cash Account Interest	0.000	(0.025)	(0.025)	0.000	(0.050)
14 Estate Tax	0.000	0.000	0.000	0.000	0.000
15 Oil & Natural Gas Production Tax	0.000	0.000	(0.001)	0.000	(0.001)
16 Motor Vehicle Fee	0.000	13.410	13.688	0.000	27.098
17 Public Institution Reimbursements	0.000	0.000	0.000	0.000	0.000
18 Coal Severance Tax	0.000	0.000	0.000	0.000	0.000
19 Liquor Excise & License Tax	0.000	1.736	1.837	0.000	3.573
20 Cigarette Tax	0.000	0.000	0.000	0.000	0.000
21 Investment License Fee	0.000	0.000	0.000	0.000	0.000
22 Lottery Profits	0.000	(0.032)	(0.194)	0.000	(0.226)
23 Liquor Profits	0.000	(0.146)	(0.422)	0.000	(0.568)
24 Nursing Facilities Fee	0.000	0.000	0.000	0.000	0.000
25 Foreign Capital Depository Tax	0.000	0.000	0.000	0.000	0.000
26 Electrical Energy Tax	0.000	0.000	0.000	0.000	0.000
27 Metalliferous Mines Tax	0.000	0.000	0.000	0.000	0.000
28 Highway Patrol Fines	0.000	0.025	0.025	0.000	0.050
29 Public Contractors Tax	0.000	0.000	0.000	0.000	0.000
30 Wholesale Energy Tax	0.000	0.000	0.000	0.000	0.000
31 Tobacco Tax	0.000	0.000	0.000	0.000	0.000
32 Driver's License Fee	0.000	0.000	0.000	0.000	0.000
33 Railroad Car Tax	0.000	0.000	0.000	0.000	0.000
34 Wine Tax	0.000	0.193	0.201	0.000	0.394
35 Beer Tax	0.000	2.482	2.592	0.000	5.074
36 Telephone License Tax	0.000	0.000	0.000	0.000	0.000
37 Long Range Bond Excess	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Total General Fund	<u>\$13.533</u>	<u>\$131.799</u>	<u>\$136.064</u>	<u>\$13.533</u>	<u>\$267.863</u>

Figure 4 shows the revised general fund revenue estimates by source of revenue which is the sum of HJR 2 estimates and all legislation impacts. These revised estimates reflect the official revenue estimates of the Fifty-seventh Legislature and are used throughout this report including Part 1.

Figure 4 House Joint Resolution 2 Plus Legislation Impacts General Fund Revenue Estimates In Millions								
Source of Revenue	Percent of Total *	Adj. Actual Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 2002	Estimated Fiscal 2003	Estimated Fiscal 00-01	Estimated Fiscal 02-03	Cumulative % of Total
1 Individual Income Tax	44.37%	\$516.262	\$545.356	\$574.995	\$593.138	\$1,061.618	\$1,168.133	43.63%
2 Property Tax	16.69%	194.197	175.065	170.971	176.690	369.262	347.661	56.61%
3 Corporation Income Tax	7.79%	90.683	83.149	81.543	82.854	173.832	164.397	62.75%
4 Vehicle Tax	0.00%	0.000	0.000	77.319	77.291	0.000	154.610	68.53%
5 Common School Interest and Income	3.81%	44.296	47.924	48.703	51.233	92.220	99.936	72.26%
6 Insurance Tax & License Fees	3.38%	39.334	40.810	42.666	44.050	80.144	86.716	75.50%
7 Coal Trust Interest	3.37%	39.195	39.117	36.401	36.276	78.312	72.677	78.21%
8 US Mineral Royalty	1.65%	19.243	27.845	21.756	20.474	47.088	42.230	79.79%
9 All Other Revenue	1.76%	20.488	48.460	32.715	22.634	68.948	55.349	81.85%
10 Tobacco Settlement	2.99%	34.804	15.677	18.925	19.147	50.481	38.072	83.28%
11 Telecommunications Excise Tax	0.55%	6.366	19.619	20.253	21.113	25.985	41.366	84.82%
12 Video Gambling Tax	1.19%	13.851	20.742	41.518	45.192	34.593	86.710	88.06%
13 Treasury Cash Account Interest	1.38%	16.088	17.703	14.671	14.102	33.791	28.773	89.13%
14 Estate Tax	1.64%	19.039	19.691	17.118	10.097	38.730	27.215	90.15%
15 Oil & Natural Gas Production Tax	0.98%	11.363	14.188	12.407	11.984	25.551	24.391	91.06%
16 Motor Vehicle Fee	1.01%	11.716	12.954	25.182	25.692	24.670	50.874	92.96%
17 Public Institution Reimbursements	0.97%	11.345	11.755	12.521	12.932	23.100	25.453	93.91%
18 Coal Severance Tax	0.82%	9.502	8.918	9.073	9.058	18.420	18.131	94.59%
19 Liquor Excise & License Tax	0.62%	7.172	7.534	9.661	10.220	14.706	19.881	95.33%
20 Cigarette Tax	0.73%	8.464	8.222	8.057	7.889	16.686	15.946	95.93%
21 Investment License Fee	0.46%	5.390	6.081	6.580	7.119	11.471	13.699	96.44%
22 Lottery Profits	0.50%	5.841	6.197	6.249	6.178	12.038	12.427	96.90%
23 Liquor Profits	0.51%	5.900	5.659	5.831	5.845	11.559	11.676	97.34%
24 Nursing Facilities Fee	0.52%	6.055	5.533	5.547	5.575	11.588	11.122	97.75%
25 Foreign Capital Depository Tax	0.00%	0.000	0.000	0.000	0.000	0.000	0.000	97.75%
26 Electrical Energy Tax	0.41%	4.829	4.562	4.644	4.664	9.391	9.308	98.10%
27 Metalliferous Mines Tax	0.23%	2.703	4.063	4.706	4.553	6.766	9.259	98.45%
28 Highway Patrol Fines	0.35%	4.028	4.096	4.191	4.262	8.124	8.453	98.76%
29 Public Contractors Tax	0.19%	2.162	1.887	2.441	2.478	4.049	4.919	98.95%
30 Wholesale Energy Tax	0.16%	1.895	3.500	3.568	3.614	5.395	7.182	99.22%
31 Tobacco Tax	0.17%	2.017	2.137	2.265	2.400	4.154	4.665	99.39%
32 Driver's License Fee	0.20%	2.333	2.165	2.178	2.194	4.498	4.372	99.55%
33 Railroad Car Tax	0.18%	2.101	1.665	1.688	1.718	3.766	3.406	99.68%
34 Wine Tax	0.09%	1.017	1.059	1.300	1.357	2.076	2.657	99.78%
35 Beer Tax	0.03%	0.370	0.386	2.885	3.013	0.756	5.898	100.00%
36 Telephone License Tax	0.30%	3.491	0.000	0.000	0.000	3.491	0.000	100.00%
37 Long Range Bond Excess	0.01%	0.101	0.000	0.000	0.000	0.101	0.000	100.00%
Total General Fund	100.00%	<u>\$1,163.641</u>	<u>\$1,213.719</u>	<u>\$1,330.528</u>	<u>\$1,347.036</u>	<u>\$2,377.360</u>	<u>\$2,677.564</u>	100.00%
* For Fiscal 2000								

PROJECTED GENERAL FUND DEFICIT

For the first several months following the 2001 legislative session, state general fund revenues came in even stronger than projected in the revenue estimate resolution for fiscal 2001, and then held steady in early fiscal 2002. In November 2001, the LFD reported a significant downturn in general fund revenues and a concern that, if the trend continued, the projected ending fund balance would be significantly less than anticipated.

The trend continued to worsen, and in April the LFD reported that a preliminary estimate of the biennium ending general fund balance was \$28.0 million. This placed the projected balance near the trigger point for implementing statutory mandated spending reductions, and in subsequent communications, this office expressed concerns about a worsening picture. Declining individual and corporation income tax collections were the primary reason for the need to implement spending reductions. These two sources are projected to be \$101.1 million below HJR 2 revenue estimates, or 88.1 percent of the total projected reductions in general fund revenues.

Legislative Projection, 2001 Session

As shown in Figure 5, the Fifty-seventh Legislature projected a general fund ending fund balance of \$53.8 million on June 30, 2003, which is a reserve of 2.3 percent of general fund appropriations for

the biennium. That projection assumed about a 1.0 percent growth in general fund revenues after adjustments of HB 124 – the “Big Bill”. The projection assumed a less robust growth pattern than immediate past biennia, but still a consistent growth. Stronger than anticipated revenues at the end of fiscal 2001 signaled an even brighter

Figure 5 Comparison of 2003 Biennium General Fund Balance Post-Session Budget vs. June Revised Budget In Millions			
	Post Session 2003 Biennium	Revised June 2003 Biennium	Difference 2003 Biennium
Beginning Fund Balance	\$110.729	\$172.897	\$62.168
Revenues			
Current Law Revenue	2,677.566	2,562.963	(114.603)
Total Funds Available	\$2,788.295	\$2,735.860	(\$52.435)
Disbursements			
General Appropriations	2,274.123	2,274.123	
Statutory Appropriations	92.195	275.790	183.595
Local Assistance Appropriations	326.739		(326.739)
Miscellaneous Appropriations	8.483	160.910	152.427
Non-Budgeted Transfers	31.930	37.522	5.592
Continuing Appropriations		2.611	2.611
Supplemental Appropriations		13.100	13.100
Feed Bill Appropriations	7.028	7.028	
Anticipated Reversions	(6.027)	(14.269)	(8.242)
Total Disbursements	\$2,734.471	\$2,756.815	\$22.344
Adjustments		2.324	2.324
Reserved Ending Fund Balance	\$53.824	(\$18.631)	(\$72.455)
Unreserved Ending Fund Balance	\$53.824	(\$18.631)	(\$72.455)

New Information Since Adjournment			
Shell Oil Audit Settlement	12.841		(12.841)
Potential Ending Fund Balance	\$66.665	(\$18.631)	(\$85.296)

picture, with an increased fund balance of \$62.2 million, leaving a projected balance on June 30, 2003 of \$116.5 million. However, as Figure 6 shows, in a comparison of revised executive and LFD projections, there have been a number of predominantly negative impacts on the general fund balance that have sharply reduced the projected fiscal 2003 ending general fund balance.

Revenue Estimates

The difference between the executive and the LFD general fund revenue estimates for the 2003 biennium are \$4.8 million, or only 0.18 percent. Total general fund revenues as projected by the LFD are expected to be \$2.563 billion for the 2003 biennium.

In general, both the executive and the LFD independently examined each revenue source in detail. Fiscal 2002 year-to-date collection trends were reviewed as well as relevant economic conditions.

Figure 7 shows the primary differences between the two estimates by revenue category. Most of the categories listed in Figure 7 could be significantly influenced by collections received in June and revenue accruals processed during the fiscal yearend closeout period. For example, estimated tax payments are due June 15 for both individual and corporation income taxes. These payments will not only impact final collections for fiscal 2002 but will also affect the outlook for fiscal 2003.

It should be noted that the primary difference in the “All Other Revenue” category is because the LFD included estimated wildfire suppression costs in the fiscal 2003 expenditure base. Because of this inclusion, it is expected that the general fund will receive approximately \$1.9 million in federal reimbursement revenue.

Figure 6 Comparison of 2003 Biennium General Fund Balance Executive Budget vs. LFD Budget In Millions			
	Executive 2003 Biennium	LFD 2003 Biennium	Difference 2003 Biennium
Beginning Fund Balance	\$172.850	\$172.897	\$0.047
Revenues			
Current Law Revenue	2,567.780	2,562.963	(4.817)
Total Funds Available	\$2,740.630	\$2,735.860	(\$4.770)
Disbursements			
General Appropriations	2,272.550	2,274.123	1.573
Statutory Appropriations	275.230	275.790	0.560
Local Assistance Appropriations			
Miscellaneous Appropriations	162.840	160.910	(1.930)
Non-Budgeted Transfers	37.590	37.522	(0.068)
Continuing Appropriations	2.290	2.611	0.321
Supplemental Appropriations	5.830	13.100	7.270
Feed Bill Appropriations	7.200	7.028	(0.172)
Anticipated Reversions	<u>(15.540)</u>	<u>(14.269)</u>	1.271
Total Disbursements	\$2,747.990	\$2,756.815	\$8.825
Adjustments	2.320	2.324	0.004
Projected Ending Fund Balance	(\$5.040)	(\$18.631)	(\$13.591)
Executive Proposals to Reduce Deficit			
DOR Residual Equity Transfer	0.400	0.400	
Eliminate DOT Transfer	5.790	5.790	
Agency Reductions (including Judiciary)	23.400	23.400	
Lynch Settlement	0.500	0.500	
Legislative Branch Reductions	<u>0.350</u>	<u>0.350</u>	
Potential Ending Fund Balance	\$25.400	\$11.809	(\$13.591)
Calculated Target Ending Fund Balance	27.280	27.134	(0.146)
Projected Budget Gap	(\$1.880)	(\$15.325)	(\$13.445)

Most of the differences in the other categories are due to different views of current trends and how these trends will influence fiscal 2003.

The following section generally explains why differences exist for each of the categories listed in Figure 7.

Individual Income Tax

Individual income tax revenues in fiscal 2002 are well below the \$575.0 million estimate adopted in the 2001 legislative session. The executive estimate of income tax revenue for fiscal 2002 is \$541.6 million. The LFD estimate is slightly lower at \$538.2 million. The projections for fiscal 2003 are \$551.2 million by the executive compared to \$552.4 million by the LFD.

Both estimates of fiscal 2002 were derived in essentially the same manner. Data on year-to-date withholdings, estimated payments, current year payments, refunds, and accruals were compared with year-to-date and final fiscal 2001 collections. The LFD estimate was based on data through the end of May 2002 while the executive estimate was based on data through May 13, 2002. The table below contains a comparison of these forecast components for fiscal 2002.

Figure 7	
2003 Biennium Revenue Estimate Differences	
Executive vs. LFD	
<u>Revenue Category</u>	<u>Millions</u>
Individual Income Tax	\$2.262
Corporation Income Tax	(4.184)
Vehicle Tax	3.629
Insurance Tax & License Fees	(2.254)
US Mineral Royalty	3.347
All Other Revenue	(1.140)
Estate Tax	1.448
Oil & Natural Gas Production Tax	1.877
Public Institution Reimbursements	(1.164)
Remaining Categories	0.996
Total Difference	\$4.817

Individual Income Tax Calculations (in millions)					
	<u>Fiscal 2002</u>				
	<u>Fiscal 2001</u>	<u>LFD</u>	<u>Percent Change</u>	<u>Executive</u>	<u>Percent Change</u>
Withholding	391.453	404.841	3.4%	405.005	3.5%
Estimated	161.146	144.516	-10.3%	141.200	-12.4%
Current Year Pays	126.125	113.770	-9.8%	115.907	-8.1%
Refunds	(137.168)	(139.923)	2.0%	(135.538)	-1.2%
Accruals	14.458	14.953	3.4%	15.000	3.7%
Total	556.014	538.157	-3.2%	541.574	-2.6%

As of the end of May 2002, withholding collections were up by 3.4 percent compared with collections through May 2001. The LFD estimate assumes this growth will hold true for all of fiscal 2002. The executive growth rate for withholding collections is slightly higher at 3.5 percent. The final estimated payment in fiscal 2002 is due June 15. Through May,

estimated payments were down \$14.0 million, or 10.3 percent, compared with estimated payments through May of last year. The LFD estimate assumes that final fiscal 2002 estimated payments will remain 10.3 percent below last year. The executive assumes that estimated collections will be \$20 million below last year's level, based on a 5-year history of withholding collections through April.

At the end of May 2002, current year payments (which include payments for calendar year 2001 liabilities, extensions, audits, and penalty and interest) were \$108.9 million, \$12.4 million below current year payments through May 2001. Current year payments in June 2001 were \$4.9 million. The LFD estimate adds this amount to the end of the May 2002 amount to derive current year payments for fiscal 2002. The executive estimate assumes an additional \$5.5 million will be collected in June.

Refunds as of June 5, 2002 were \$139.9 million, nearly \$3.0 million above total fiscal 2001 refunds of \$137.2 million.

Refunds in fiscal 2001 contained a fiscal yearend payable accrual of \$6.7 million. The Department of Revenue (DOR) has indicated that at fiscal yearend 2002 it will reduce the refund accrual to about \$100,000. This is a change in DOR's accounting policy and will result in a one-time increase in income tax collections.

The LFD fiscal 2002 refund estimate assumes that the June 5 refund total will remain constant through the end of the year. The executive estimate is based upon a May 13 refund total \$121.8 million plus an additional \$13.7 million to be paid out for the remainder of the year.

The last component of the individual income tax estimate is an accrual for withholding collections expected to be paid within 60 days beyond the end of the fiscal year. The LFD estimate assumes an accrual of \$14.9 million while the executive estimate assumes an accrual of \$15.0 million. The accrual in fiscal 2001 was \$14.4 million.

An estimate of fiscal 2003 collections of individual income tax revenue was also calculated. The LFD estimate adjusts the revised fiscal 2002 estimate for the one-time refund accrual change and grows the adjusted fiscal 2002 estimate by 4 percent yielding an estimate of \$552.4 million. The executive estimate of fiscal 2003 collections is \$551.2 million, an amount that is 3.1 percent above their adjusted fiscal 2002 estimate.

Corporation Income Tax

Corporation income tax is coming in significantly below the HJR 2 projection. Consequently, the projections for this source have been adjusted to better match actual collections. There is a considerable difference between the corporation income tax projections produced by the LFD and

Corporation Income Tax (in millions)						
	Fiscal Year	Forecast	Unusual Audits	Adjustments Bonus Depreciation	One-time Payment	Total G.F.
LFD	2002	\$67.162	\$3.750	(\$2.986)	\$4.900	\$72.826
	2003	\$68.594	4.500	(5.051)		68.043
Executive	2002	\$70.075	3.000	(3.000)		70.075
	2003	\$67.110	4.500	(5.000)		66.610

those given in the executive's revenue estimates. The executive projects fiscal 2002 revenues from this source at \$70.1 million as compared to the LFD \$72.8 million and fiscal 2003 revenues at \$66.6 million as compared to \$68.0 million.

The LFD uses a model, which regresses Montana corporation income against U.S. pre-tax corporation profits, to project collections for this source. For the LFD projection, the most recent U.S. profits were used with data obtained from the Wharton Econometric Forecasting Service's April 2002 publication. When compared to May 2002 actual collections and anticipated collections through the end of the fiscal year, this projection appears accurate.

The executive projection was determined using year-to-date revenues through May and adding an estimated June collection of \$13.0 million. The executive uses a forecasting model that includes previous year collections as a variable to predict revenues for fiscal 2003.

Both the executive and LFD projections include a number of adjustments. Among these are an addition for unusual audit payments and a reduction for the bonus depreciation provision included in the Job Creation and Workers Assistance Act of 2002. The LFD additionally increased the fiscal 2002 projection by \$ 4.9 million for a one-time estimated payment received in February 2002.

Vehicle Tax

HB 124 required that all vehicle taxes be deposited in the general fund, beginning in fiscal 2002. The LFD estimate of fiscal 2002 vehicle taxes is \$69.7 million and executive estimate is \$71.4 million. For fiscal 2003, the LFD estimate is \$70.8 million and the executive estimate is \$72.8 million.

The LFD estimate for fiscal 2002 is the result of two methods. One method counted what the state, counties, cities and schools received in fiscal 2001 and increased this amount by 1.5 percent. The second method simulated the amount of revenue that would have been collected from the flat fee on light vehicles and the fee in lieu of taxes on other vehicles based on calendar 2001 vehicle data provided by the Department of Justice (DOJ) database. Both methods produced estimates very close to \$69.7 million. The executive also simulated collections using the DOJ database, but grew collections at a faster rate of 2.0 percent to determine the fiscal 2002 estimate.

The LFD estimate for fiscal 2003 was derived by multiplying the fiscal 2002 estimate by 1.5 percent. The executive increased their fiscal 2002 estimate by 2.0 percent to derive their fiscal 2003 estimate.

Insurance Tax & License Fee

Insurance collections are 10 percent above projections and both the LFD and executive have increased their projections. For fiscal 2002, the LFD and executive estimates are very close, but for fiscal 2003 the LFD projection is \$1.9 million higher.

The legislative estimate is based on actual collections through May 2002 for three revenue components: genetics fee, premium taxes on fire insurance, and other premium taxes. For the insurance projection, the percentage of collections through this period in fiscal 2001 was used to inflate May year-to-date collections for fiscal 2002 to \$47.4 million. A three percent growth rate was applied to the fiscal 2002 projection to produce the fiscal 2003 estimate of \$48.8 million. The executive estimates are also based on collections through May 2002 with the fiscal 2003 estimate being derived from a regression analysis of tax liability from 1993 through 2002. The executive analysis produces estimates of \$47.0 million for fiscal 2002 and \$46.9 million for fiscal 2003.

US Mineral Royalty

LFD projections for the U.S. mineral royalty collections differ from the executive estimate in fiscal 2002 only. The executive projection is the same as the HJR 2 estimate of \$21.8 million, while the LFD reduced the projection to \$18.4 million.

The LFD projections are based on collections through May plus estimated amounts for the remainder of the year provided by the federal Mineral Management Services. Montana expected fiscal 2002 collections of \$21.8 million, but because of a court ordered shutdown of the Mineral Management Services Internet site, Montana has been receiving estimated, as opposed to actual, payments of US mineral royalties. The order has now been lifted and the LFD anticipates that there will be corrections to the fiscal 2002 payments in fiscal 2003. An opinion issued by Greg Petesch, Director of Legal Services, indicates that if these corrections cause the total amount received in fiscal 2003 to exceed the HJR 2 estimate, the excess must be distributed to eligible counties under House Bill 226 enacted by the 2001 legislature. The executive projection includes a biennial increase over the HJR 2 estimates of \$8.1 million, but anticipates that this increase will be distributed to eligible counties and not to the general fund based on their interpretation of House Bill 226.

U.S. Mineral Royalty (in millions)				
	Collections*			
	Fiscal Year	July- May Actual	Estimated June	Total G.F.
LFD	2002	\$13.635	\$4.774	\$18.409
	2003	n/a		21.756
Executive	2002	13.635	8.121	21.756
	2003	n/a		21.756

* The executive expects collections to be \$8.1 million higher for the biennium with the excess going to county governments and not to the general fund.

All Other Revenue

Revenue from this source is 22 percent above the HJR 2 projections. The biennial difference between the LFD and the executive projections for this source is \$1.14 million, with a negligible difference in fiscal 2002 and a difference in fiscal 2003 of \$1.0 million.

All Other Revenue (in millions)					
	Fiscal Year	HJR 2	Wildfire Reimbursements	Additional Changes	Total G.F.
LFD	2002	\$32.715	\$1.899	\$5.380	\$39.994
	2003	22.634	0.000	(1.076)	21.558
Executive	2002	32.715	0.000	7.139	39.854
	2003	22.634	0.000	(2.076)	20.558

The LFD and executive projections are similar for most of the revenue sources contained in the “all other” category. The main reason for the difference in the projections is an estimation of wildfire costs in fiscal 2003 by the LFD. An estimated \$7.3 million general fund expenditure for wildfire costs is

included in the LFD balance sheet. Because a portion of the state’s costs is reimbursed and deposited to the general fund, the LFD projection for this revenue source includes \$1.9 million of additional revenue. The executive projection does not include any estimate for wildfire costs in fiscal 2003 or any reimbursement revenue.

Estate Tax

Estate tax collections are approximately 14 percent below the HJR 2 projection. The LFD projections differ from the executive by \$1.4 million for the biennium, with the largest difference in fiscal 2003.

The LFD used two assumptions in reducing the projections for estate taxes. First, reduced individual wealth has been demonstrated by a reduction in fiscal 2002 estate tax collections. Second, revenues will be adversely affected by the federal government’s passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRR).

The estimates for the 2003 biennium include adjustments for the changes in Montana legislation. The LFD assumes that the reduced revenues, 14 percent, are a reflection of changes in individual wealth and will continue to be a factor through fiscal 2003. Additionally, the effects of the EGTRR, passed by Congress after the 2001 session, reduced the 2003 projection further (\$0.9 million as determined by the DOR). The primary difference between the LFD and executive estimates is the base estimate, from which both sets of adjustments were made. The LFD base was determined with a trend model, while the executive base was produced with a complex regression model.

Estate Tax (in millions)					
	Fiscal Year	Base Estimates	All Other Adjustments*	Federal Estate	Total G.F.
LFD	2002	\$19.872	(\$5.078)	\$0.000	\$14.794
	2003	20.871	(\$12.146)	(0.913)	7.812
Executive	2002	22.385	(\$7.603)	(0.026)	14.756
	2003	21.975	(\$11.502)	(1.174)	9.299

*Montana legislative impacts, repeal of Montana inheritance tax, and changes in timing of collections.

Oil Production Tax

General fund collections of oil production tax revenues are ahead of last year due to slightly higher production and increased prices. The LFD estimate of oil production tax revenue for fiscal 2002 is \$11.1 million and the executive estimate is \$11.7 million. The major reason for the difference is that the executive projects slightly higher oil prices.

The LFD estimate of oil production tax revenue for fiscal 2003 is \$10.3 million and the executive estimate is \$11.4 million. The difference is mainly due to a difference in projected oil prices. The LFD assumes Montana oil prices will be \$19.20 in calendar 2002 and \$18.91 in calendar 2003. The executive assumes Montana oil prices will be \$21.02 in calendar 2002 and \$19.99 in calendar 2003.

Natural Gas Production Tax

General fund collections of natural gas production tax revenues are ahead of last year due to slightly higher production and increased prices. The LFD estimate of natural gas production tax revenue for fiscal 2002 is equal to the executive projection, \$2.5 million.

The LFD estimate of natural gas production tax revenue for fiscal 2003 is \$2.3 million and the executive estimate is \$2.5 million. The difference is mainly due to a difference in projected natural gas prices (the executive is higher) and in production (the executive is lower). The LFD assumes Montana natural gas prices will be \$2.68 per MCF in calendar 2002 and \$2.28 in calendar 2003. The executive assumes Montana natural gas prices will be \$2.76 per MCF in calendar 2002 and \$2.77 in calendar 2003. The LFD projects that production will be 85.8 million MCF in calendar 2002 and 93.0 million MCF in calendar 2003. The executive projects production of 81.9 million MCF in calendar 2002 and 86.0 million MCF in calendar 2003.

Public Institution Reimbursements

The difference between the executive and LFD projections for public institution reimbursements revenues can be traced to the anticipated revenues from the Montana Development Center (MDC) and the Eastmont Human Services Center. The LFD projects higher revenues from these sources than the executive. The projections are \$14.6 million and \$14.3 million for the LFD and the executive, respectively, in fiscal 2002, and \$15.8 million and \$14.9 million for fiscal 2003.

The LFD relies on information from the Department of Public Health and Human Services (DPHHS) to estimate this source. The executive prepares their own projections using reimbursements and care days for previous years and plans for future care days provided by DPHHS. Changes have occurred in the ability to collect Medicaid from the federal government, which favorably affected the reimbursement revenues.

Though the HJR 2 projections included the increased payments, the magnitude of the change was not fully recognized. The LFD carries the fiscal 2002 projection for MSH and MMHNCC through to 2003 because DPHHS has stated that collections for fiscal 2003 will be the same as those in fiscal 2002.

Public Institution Reimbursements			
(in millions)			
	Fiscal Year	MDC and Eastmont	Total G.F.
LFD	2002	\$11.837	\$14.645
	2003	12.963	15.749
Executive	2002	11.478	14.299
	2003	11.902	14.933

REASONS FOR DECLINING GENERAL FUND BALANCES

The revenue stream for the state has undergone a dramatic change in the past eight months. In general terms, the revenue downturn can be attributed to a dramatic decline in net capital gains income due to the prolonged decline in the equity markets. Additional factors are an economic slowdown that slipped into an economic recession because of the September 11 terrorist attacks and the economic stimulus act enacted by Congress.

In more detailed terms, the causes of the revenue drop-off are not totally clear. The primary revenue component impacted by an economic slowdown and reduced net capital gains income is individual income tax, which comprises about 44 percent of all general fund revenue. Reduced individual and corporation income tax collections comprise 88.1 percent of the total revenue shortfall. They are down 7.4 percent from last year, and the overall impact is still unclear since final estimated payments are due June 15. The most dramatic decline occurred in April. It will not be possible to pinpoint specific causes until much later this calendar year when all returns have been processed and analyzed. Reduced net capital gains and investment income are obvious explanations, but the relative contribution to the shortfall is still unclear.

The decline in general fund revenues below projections is not unique to Montana – 47 other states have had to take action to balance their budgets due to declining revenues. Montana was one of the more mildly affected states in the wake of terrorist attacks and an economic recession. The primary factors contributing to the shortfall are discussed below, along with a comparison to other states.

Capital Gains

Capital gains income represents the net income from the sale of assets such as land and equities. Over a several year period, equity values have risen dramatically, and the state has seen net capital gains income become a significant portion of individual income tax revenues. Since these revenues have been gradually built into the state revenue base, the legislature has correspondingly increased the expenditure base. With major adjustments in the equity markets, however, there has been a dramatic decline in net capital gains income which results in a reduced individual income tax base. And what makes the problem worse is that even with an improved economy, the net capital gains income base is likely to be permanently “benchmarked” to a new reduced amount. Since this equates to a reduced income tax base, the state will have to find ways to replace those revenues or reduce state services.

Federal Initiatives – Economic Recovery Stimulus Act

An external impact on state revenues that is a by-product of the economic recession and September 11 terrorist acts is the passage of the economic stimulus act by Congress. It is estimated by the Department of Revenue that this act will reduce revenues by over \$16 million in the 2003 biennium. This act provides for accelerated depreciation of business equipment purchases as an incentive to buy new equipment. Because the Montana tax code automatically adjusts for changes in federal tax laws, state individual and corporation income tax revenues will also be reduced. Several states have enacted legislation to de-couple from the accelerated depreciation impact as part of their solutions to budget shortfalls.

Recession

The country entered an economic slowdown in March 2001 that was exacerbated by the terrorist attacks of September 11. Several economic assumptions adopted by the 57th Legislature showed progressive weakening, particularly in the latter part of fiscal 2002. As an example, the federal discount rate went from 6.0 percent in February 2001 to less than 1.0 percent in early 2002. The Standard and Poor’s stock index has experienced a decline over 25 percent. Several of the state’s major industrial facilities have faced a variety of challenges including energy prices and regulation, and several have faced bankruptcy or temporary shutdowns. Montana generally survived the recession with minimal impact, yet it has taken a toll on state revenues. Wage growth appears to remain moderate but net capital gains and investment income are presumed to be declining. And while the U.S. recession is officially over, the impacts are just being felt in state revenue collections due to the time lag between the impacts of economic changes and when tax revenues are actually received.

Comparison with other States

Although there is a brightening of the overall economic picture, states are struggling with large budget deficits. Only three states are reporting collections that are at or above official state revenue forecasts. All other states are below budgeted targets and have had to address a budget shortfall, including a dozen states where tax collections are below official forecasts by over 10 percent. In April in particular, states collected over 20 percent less in income tax revenues during the year’s most important month of collections, as compared to last year. Estimated tax payments, which are an indicator of anticipated receipts in the year ahead, are running over 25 percent behind in the first four months of 2002 (Montana’s were down by 14 percent). Further, individual income tax refunds in the first four months of 2002 are nearly 15 percent above

2001 refunds (Montana refunds are up 36 percent). The magnitude of the revenue shortfalls is somewhat puzzling in view of only a mild recession, and while a drop-off in net capital gains income is considered to be a major culprit, states will not be able to assess the precise causes until individual income tax returns can be analyzed. (The numbers used in the above comparison are from a report on income tax collections by the National Conference of State Legislatures and other organizations published in April.)

Lower revenues are the major reason for state budget difficulties, but spending pressures are also contributing to the problem. Health care costs are growing at a double digit rate due to inflation, an aging population, and increasing prescription drug costs. Education and corrections budget demands continue to apply budget pressures. Even prior to addressing a budget deficit, Montana was reducing services and associated costs in human services budgets just to stay within appropriated amounts.

FACTORS THAT MAY AFFECT PROJECTED DEFICITS

There are other issues with potential impacts in the 2003 biennium that are contingent upon other occurrences. These include the potential tax impact of the sale of Montana Power Company assets, the severity of the 2002 wildfire season (above LFD projections), potential general fund supplementals, and other economic events that could produce unanticipated changes in revenue projections. In the event that any of these become reality, there is a potential for impacts to the general fund balance. While these are not included in the general fund balance projections (except for wildfire suppression costs in the LFD estimates), it is important that the potential impacts be considered in the legislative deliberations of fiscal status. Each item is discussed briefly below.

MPC Sale of Assets

The Montana Power Company has completed its divestiture of the company's multiple energy businesses, and has converted to a telecommunications business, Touch America. The divestiture was accomplished through a stock sale and not an outright asset sale. The tax impact of the divestiture is not yet clear and it is unknown whether and to what degree the state will see any tax revenues from the sale. The sale could potentially bring a one-time infusion of funds to the state general fund.

Wildfire Season

The executive spending reduction plan did not include a reserve for anticipated costs of the upcoming 2002 summer fire season, even though net wildfire costs to the state average over \$5 million a year. In view of the fact that the state is in the fourth year of drought conditions, experts are predicting a severe wildfire season. Since the likelihood of incurring at least an average \$5 million net cost to the general fund in fiscal 2003 is very high, the LFD general fund estimate includes this amount as an allowance for wildfire costs. If an allowance for this high probability unbudgeted expenditure is not included in the spending reduction plan, the ending fund balance will be well below the projected amount in the executive plan should the costs occur.

Revised Revenue Estimates

State revenue collections have continually worsened as compared to projections since November 2001. It remains unclear to what extent the downturn in collections seen in fiscal 2002 will continue into fiscal 2003. Both the executive and legislative staffs will continue to monitor revenue collections closely. Any unforeseen economic shifts, which could include terrorist acts, severe drought, or new federal tax legislation could result in revised revenue projections that could either improve or worsen the current outlook. Since the executive

spending reduction plan contemplates only enough reductions in spending to get back to the statutorily minimum required ending fund balance reserve, any significant downturn could require either an additional round of reductions or a resolution by the legislature in the 2003 session.

COMPARISON FIGURES

Figure 8 shows revenue estimate comparisons by source of revenue between the estimates adopted by the Fifty-seventh Legislature and those prepared by your LFD staff. As Figure 8 shows, total general fund revenues for the 2003 biennium are expected to be \$114.6 million below the estimates adopted by the Fifty-seventh Legislature.

Figure 9 provides revenue estimate comparisons by source of revenue between the estimates prepared by the executive and your LFD staff. As Figure 9 shows, the total difference in the estimates for the 2003 biennium is only \$4.8 million or 18 percent.

House Joint Resolution 2 Plus Legislation Impacts 57th Legislature vs. LFD General Fund Revenue Estimates In Millions												
Source of Revenue	Adj. Actual Fiscal 2000	Actual Fiscal 2001	Legislature Estimated Fiscal 2002	LFD Estimated Fiscal 2002	Difference Fiscal 2002	Legislature Estimated Fiscal 2003	LFD Estimated Fiscal 2003	Difference Fiscal 2003	Legislature Estimated Fiscal 02-03	LFD Estimated Fiscal 02-03	Difference Fiscal 02-03	Cumulative % of Total
1 Individual Income Tax	\$516.262	\$556.015	\$574.995	\$538.157	-\$36.838	\$593.138	\$552.404	-\$40.734	\$1,168.133	\$1,090.561	-\$77.572	43.80%
2 Property Tax	194.197	180.050	170.971	169.089	-1.882	176.690	174.895	-1.795	347.661	343.984	-3.677	57.98%
3 Corporation Income Tax	90.683	103.670	81.543	72.826	-8.717	82.854	68.043	-14.811	164.397	140.869	-23.528	66.15%
4 Vehicle Tax	0.000	0.000	77.319	69.740	-7.579	77.291	70.786	-6.505	154.610	140.526	-14.084	66.15%
5 Common School Interest and Income	44.296	46.846	48.703	46.331	-2.372	51.233	50.228	-1.005	99.936	96.559	-3.377	69.84%
6 Insurance Tax & License Fees	39.334	42.298	42.666	47.378	4.712	44.050	48.799	4.749	86.716	96.177	9.461	73.17%
7 Coal Trust Interest	39.195	37.660	36.401	36.867	0.466	36.276	36.901	0.625	72.677	73.768	1.091	76.14%
8 US Mineral Royalty	19.243	31.008	21.756	18.409	-3.347	20.474	20.474	0.000	42.230	38.883	-3.347	78.58%
9 All Other Revenue	20.488	51.836	32.715	39.994	7.279	22.634	21.558	-1.076	55.349	61.552	6.203	82.66%
10 Tobacco Settlement	34.804	15.989	18.925	18.648	-0.277	19.147	18.854	-0.293	38.072	37.502	-0.570	83.92%
11 Telecommunications Excise Tax	6.366	18.838	20.253	20.253	0.000	21.113	22.113	1.000	41.366	42.366	1.000	85.41%
12 Video Gambling Tax	13.851	20.891	41.518	43.254	1.736	45.192	45.021	-0.171	86.710	88.275	1.565	87.05%
13 Treasury Cash Account Interest	16.088	21.532	14.671	12.424	-2.247	14.102	13.370	-0.732	28.773	25.794	-2.979	88.75%
14 Estate Tax	19.039	20.286	17.118	14.794	-2.324	10.097	7.813	-2.284	27.215	22.607	-4.608	90.35%
15 Oil & Natural Gas Production Tax	11.363	25.792	12.407	13.613	1.206	11.984	12.588	0.604	24.391	26.201	1.810	92.38%
16 Motor Vehicle Fee	11.716	12.534	25.182	26.233	1.051	25.692	26.758	1.066	50.874	52.991	2.117	93.37%
17 Public Institution Reimbursements	11.345	13.554	12.521	14.645	2.124	12.932	15.750	2.818	25.453	30.395	4.942	94.43%
18 Coal Severance Tax	9.502	8.663	9.073	8.460	-0.613	9.058	8.460	-0.598	18.131	16.920	-1.211	95.12%
19 Liquor Excise & License Tax	7.172	7.343	9.661	9.444	-0.217	10.220	9.990	-0.230	19.881	19.434	-0.447	95.69%
20 Cigarette Tax	8.464	8.285	8.057	8.096	0.039	7.889	7.927	0.038	15.946	16.023	0.077	96.35%
21 Investment License Fee	5.390	5.889	6.580	5.067	-1.513	7.119	5.067	-2.052	13.699	10.134	-3.565	96.81%
22 Lottery Profits	5.841	6.137	6.249	7.275	1.026	6.178	6.800	0.622	12.427	14.075	1.648	97.29%
23 Liquor Profits	5.900	5.900	5.831	5.700	-0.131	5.845	5.713	-0.132	11.676	11.413	-0.263	97.76%
24 Nursing Facilities Fee	6.055	5.656	5.547	5.694	0.147	5.575	5.694	0.119	11.122	11.388	0.266	98.20%
25 Foreign Capital Depository Tax	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	98.20%
26 Electrical Energy Tax	4.829	4.058	4.644	4.217	-0.427	4.664	4.217	-0.447	9.308	8.434	-0.874	98.52%
27 Metalliferous Mines Tax	2.703	3.417	4.706	3.329	-1.377	4.553	3.176	-1.377	9.259	6.505	-2.754	98.79%
28 Highway Patrol Fines	4.028	3.981	4.191	3.933	-0.258	4.262	3.999	-0.263	8.453	7.932	-0.521	99.11%
29 Public Contractors Tax	2.162	0.792	2.441	2.085	-0.356	2.478	2.275	-0.203	4.919	4.360	-0.559	99.17%
30 Wholesale Energy Tax	1.895	3.503	3.568	3.143	-0.425	3.614	3.143	-0.471	7.182	6.286	-0.896	99.45%
31 Tobacco Tax	2.017	2.048	2.265	2.189	-0.076	2.400	2.319	-0.081	4.665	4.508	-0.157	99.61%
32 Driver's License Fee	2.333	1.896	2.178	2.574	0.396	2.194	2.592	0.398	4.372	5.166	0.794	99.76%
33 Railroad Car Tax	2.101	1.556	1.688	1.534	-0.154	1.718	1.537	-0.181	3.406	3.071	-0.335	99.88%
34 Wine Tax	1.017	1.033	1.300	1.212	-0.088	1.357	1.265	-0.092	2.657	2.477	-0.180	99.96%
35 Beer Tax	0.370	0.385	2.885	2.834	-0.051	3.013	2.960	-0.053	5.898	5.794	-0.104	99.99%
36 Telephone License Tax	3.491	0.133	0.000	0.033	0.033	0.000	0.000	0.000	0.000	0.033	0.033	100.00%
37 Long Range Bond Excess	0.101	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	100.00%
Total General Fund	<u>\$1,163.641</u>	<u>\$1,269.472</u>	<u>\$1,330.528</u>	<u>\$1,279.474</u>	<u>-\$51.054</u>	<u>\$1,347.036</u>	<u>\$1,283.489</u>	<u>-\$63.547</u>	<u>\$2,677.564</u>	<u>\$2,562.963</u>	<u>-\$114.601</u>	100.00%

Figure 8

House Joint Resolution 2 Plus Legislation Impacts LFD vs. Executive General Fund Revenue Estimates In Millions												
Source of Revenue	Adj. Actual Fiscal 2000	Actual Fiscal 2001	LFD Estimated Fiscal 2002	Exec Estimated Fiscal 2002	Difference Fiscal 2002	LFD Estimated Fiscal 2003	Exec Estimated Fiscal 2003	Difference Fiscal 2003	LFD Estimated Fiscal 02-03	Exec Estimated Fiscal 02-03	Difference Fiscal 02-03	Cumulative % of Total
1 Individual Income Tax	\$516.262	\$556.015	\$538.157	\$541.574	\$3.417	\$552.404	\$551.249	-\$1.155	\$1,090.561	\$1,092.823	\$2.262	43.80%
2 Property Tax	194.197	180.050	169.089	169.322	0.233	174.895	174.392	-0.503	343.984	343.714	-0.270	57.98%
3 Corporation Income Tax	90.683	103.670	72.826	70.075	-2.751	68.043	66.610	-1.433	140.869	136.685	-4.184	66.15%
4 Vehicle Tax	0.000	0.000	69.740	71.364	1.624	70.786	72.791	2.005	140.526	144.155	3.629	66.15%
5 Common School Interest and Income	44.296	46.846	46.331	47.578	1.247	50.228	48.801	-1.427	96.559	96.379	-0.180	69.84%
6 Insurance Tax & License Fees	39.334	42.298	47.378	47.033	-0.345	48.799	46.890	-1.909	96.177	93.923	-2.254	73.17%
7 Coal Trust Interest	39.195	37.660	36.867	36.897	0.030	36.901	37.146	0.245	73.768	74.043	0.275	76.14%
8 US Mineral Royalty	19.243	31.008	18.409	21.756	3.347	20.474	20.474	0.000	38.883	42.230	3.347	78.58%
9 All Other Revenue	20.488	51.836	39.994	39.854	-0.140	21.558	20.558	-1.000	61.552	60.412	-1.140	82.66%
10 Tobacco Settlement	34.804	15.989	18.648	18.647	-0.001	18.854	18.916	0.062	37.502	37.563	0.061	83.92%
11 Telecommunications Excise Tax	6.366	18.838	20.253	20.060	-0.193	22.113	21.910	-0.203	42.366	41.970	-0.396	85.41%
12 Video Gambling Tax	13.851	20.891	43.254	43.563	0.309	45.021	45.171	0.150	88.275	88.734	0.459	87.05%
13 Treasury Cash Account Interest	16.088	21.532	12.424	13.064	0.640	13.370	13.449	0.079	25.794	26.513	0.719	88.75%
14 Estate Tax	19.039	20.286	14.794	14.756	-0.038	7.813	9.299	1.486	22.607	24.055	1.448	90.35%
15 Oil & Natural Gas Production Tax	11.363	25.792	13.613	14.259	0.646	12.588	13.819	1.231	26.201	28.078	1.877	92.38%
16 Motor Vehicle Fee	11.716	12.534	26.233	26.196	-0.037	26.758	26.720	-0.038	52.991	52.916	-0.075	93.37%
17 Public Institution Reimbursements	11.345	13.554	14.645	14.299	-0.346	15.750	14.932	-0.818	30.395	29.231	-1.164	94.43%
18 Coal Severance Tax	9.502	8.663	8.460	8.531	0.071	8.460	8.626	0.166	16.920	17.157	0.237	95.12%
19 Liquor Excise & License Tax	7.172	7.343	9.444	9.463	0.019	9.990	10.019	0.029	19.434	19.482	0.048	95.69%
20 Cigarette Tax	8.464	8.285	8.096	7.991	-0.105	7.927	7.879	-0.048	16.023	15.870	-0.153	96.35%
21 Investment License Fee	5.390	5.889	5.067	5.074	0.007	5.067	5.411	0.344	10.134	10.485	0.351	96.81%
22 Lottery Profits	5.841	6.137	7.275	7.360	0.085	6.800	6.320	-0.480	14.075	13.680	-0.395	97.29%
23 Liquor Profits	5.900	5.900	5.700	5.771	0.071	5.713	5.814	0.101	11.413	11.585	0.172	97.76%
24 Nursing Facilities Fee	6.055	5.656	5.694	5.674	-0.020	5.694	5.693	-0.001	11.388	11.367	-0.021	98.20%
25 Foreign Capital Depository Tax	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	98.20%
26 Electrical Energy Tax	4.829	4.058	4.217	4.506	0.289	4.217	4.506	0.289	8.434	9.012	0.578	98.52%
27 Metalliferous Mines Tax	2.703	3.417	3.329	3.329	0.000	3.176	3.408	0.232	6.505	6.737	0.232	98.79%
28 Highway Patrol Fines	4.028	3.981	3.933	4.067	0.134	3.999	4.087	0.088	7.932	8.154	0.222	99.11%
29 Public Contractors Tax	2.162	0.792	2.085	1.856	-0.229	2.275	1.983	-0.292	4.360	3.839	-0.521	99.17%
30 Wholesale Energy Tax	1.895	3.503	3.143	2.906	-0.237	3.143	3.332	0.189	6.286	6.238	-0.048	99.45%
31 Tobacco Tax	2.017	2.048	2.189	2.225	0.036	2.319	2.356	0.037	4.508	4.581	0.073	99.61%
32 Driver's License Fee	2.333	1.896	2.574	2.667	0.093	2.592	2.323	-0.269	5.166	4.990	-0.176	99.76%
33 Railroad Car Tax	2.101	1.556	1.534	1.534	0.000	1.537	1.629	0.092	3.071	3.163	0.092	99.88%
34 Wine Tax	1.017	1.033	1.212	1.189	-0.023	1.265	1.200	-0.065	2.477	2.389	-0.088	99.96%
35 Beer Tax	0.370	0.385	2.834	2.801	-0.033	2.960	2.826	-0.134	5.794	5.627	-0.167	99.99%
36 Telephone License Tax	3.491	0.133	0.033	0.000	-0.033	0.000	0.000	0.000	0.033	0.000	-0.033	100.00%
37 Long Range Bond Excess	0.101	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	100.00%
Total General Fund	<u>\$1,163.641</u>	<u>\$1,269.472</u>	<u>\$1,279.474</u>	<u>\$1,287.241</u>	<u>\$7.767</u>	<u>\$1,283.489</u>	<u>\$1,280.539</u>	<u>-\$2.950</u>	<u>\$2,562.963</u>	<u>\$2,567.780</u>	<u>\$4.817</u>	100.00%

Figure 9